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22. Mr. William P. Bundy forwards the joint action program proposed by the GVN-US. Special Financial Group to the Assistant Secretary of Defense. The report prepared by Dr. Eugene Staley, Chairman of the Group, has been submitted to President Ngo Diem and President John F. Kennedy, and includes the fiscal and economic implications of increasing the Vietnamese armed forces to 200,000 strength. The military portions, in addition to the requirements already planned, would require approximately \$42 million, during the 18-month period, July 61-December 62. Bundy Memorandum to Gilpatric, 25 July 1961, (Staley Report attached).....

1961 JUL 26 16 34



OFF. SECY OF DEFENSE ASSISTANT SECRETARY OF DEFENSE  
WASHINGTON 25, D. C.

JUL 26 1961

INTERNATIONAL SECURITY AFFAIRS

I-15565/61

MEMORANDUM FOR MR. GILPATRICK

SUBJECT: Joint Action Program Proposed by the Vietnam-United States Special Financial Groups

1. In the report, subject as above, submitted by Dr. Eugene Staley, Chairman of the U.S. Special Financial Group, to Presidents Ngo Dinh Diem and John F. Kennedy, the fiscal and economic implications of increasing the Vietnamese Armed Forces to 200,000 have been described. A rough, order-of-magnitude estimate of the dollar costs of this force level was made by the Special Financial Group. The report indicates that approximately \$42,000,000 in addition to requirements already planned would be required for the military portions (including the increase to 200,000 force level) of the overall program of joint action proposed during the 18-month period 1 July 61 - 31 December 62. *(i.e. roughly \$42 million in FY 1962)*

2. With favorable action by the Congress on the FY-62 MAP submission, and necessary decisions to adjust priorities of other requirements, funds can be made available to meet these additional requirements.

*W.P. Bundy*

William P. Bundy  
Acting Assistant Secretary

*Present FY 1962 MAP planned for UN is \$140 million. I suggest the "supporting assistance" - which comes out of the economic aid account - would be made also. The Senate Committee total. 178. 50-1257 67/236*



OFFICE OF THE SECRETARY OF DEFENSE  
WASHINGTON 25, D. C.

25 July 1961

MEMORANDUM FOR MR. GILPATRICK

SUBJECT: The Staley Report.

Attached is the "Joint Action Program Proposed by the Vietnam-U.S. Special Financial Groups" which has been submitted to both President Kennedy and President Diem. The latter read the report very carefully before we left Saigon and we understand has approved it insofar as his country is concerned. I recommend you read, as a minimum, the covering letter, paragraph 6 and sections III and IV (these are marked with paper-clips).

In Vietnam, as in many other areas of the world where the fight with the Communists is joined, the difference between success or failure will be determined not so much by the amount of the money we spend, but by the speed with which we act. The critical factor is time.

The amount of additional U.S. funds recommended by the Staley group over and above the current level of U.S. effort in Vietnam comes to the modest sum of \$85.5 million, for the next eighteen months, of which \$42 million is MAP.

You will note that while the U.S. is making this contribution, the Vietnamese will also be contributing \$6.5 billion piasters (approximately \$108 million at 60 piasters per/dollar). In other words, the attached program is truly, as its title indicates, a joint action program by both the Vietnamese and the U.S. Governments.

From the standpoint of maintaining impetus behind the current counter-insurgency program within Vietnam, and to insure that the U.S. Government takes prompt action on the Staley report, it is recommended that you:

- a. Invite Dr. Staley to brief the JCS on his report at your next meeting with the JCS. Mr. Nitze should be invited to attend;
- b. Approve the report in principle and so notify the Secretary of State (draft letter attached);
- c. Have the report considered at an early NSC meeting to obtain formal Presidential approval of the "Joint Action Program" and the general order of magnitude of the additional U.S. assistance to Vietnam which is recommended;

- d. Have President Diem informed, through appropriate channels, that the proposed force level of 200,000 men by the end of CY '62 is approved, subject only to the Vietnamese ability to build its forces up to this level within that time.

*Black*

Edwin F. Black  
Colonel, U.S. Army

DRAFT

Dear Dean:

The Department of Defense has reviewed the "Joint Action Program Proposed by the Vietnam-U.S. Special Financial Groups" (The Staley Report) and considers it a well-conceived, realistic program for meeting the stepped-up level of Communist activities in south Vietnam. The Department of Defense concurs in the recommendations contained in the "Joint Action Program", including the proposed force level of 200,000 men for the regular forces by the end of CY 1962.

I suggest that the report be forwarded to the National Security Council for approval, with the understanding that the cost figures and details of the broad programs outlined therein are subject to refinement and adjustment by the appropriate U.S. Government agencies in Vietnam, acting jointly with their Vietnamese counterparts under the guidance of the U.S. Ambassador.

Honorable Dean Rusk  
Secretary of State

JOINT ACTION PROGRAM PROPOSED BY THE  
VIET NAM - UNITED STATES SPECIAL FINANCIAL GROUPS

TO

President Ngo Dinh Diem

President John F. Kennedy

The Viet Nam and United States Special Financial Groups charged with considering the means of further cooperation between their two countries for mutually shared purposes have the honor to propose to their respective governments the attached joint program of action.

Viet Nam is today under attack in a bitter, total struggle which involves its survival as a free nation. Its enemy, the Viet Cong, is ruthless, resourceful, and elusive. This enemy is supplied, reinforced, and centrally directed by the international Communist apparatus operating through Hanoi. To defeat it requires the mobilization of the entire economic, military, psychological, and social resources of the country and vigorous support from the United States.

The long-term economic future of Viet Nam is bright. In fact, the promising start already made toward improvement in the living conditions of its people appears to be one of the factors which precipitated the recent intensification of Communist pressure. The contrast between the achievements of recent years in South Viet Nam and the hardships and failure in Communist North Viet Nam was becoming too glaring. Given the means to throw back the Communist attack and to resume its march of economic, social, and political

progress, Viet Nam can be an example in Southeast Asia for the progressive potentialities of men who are determined to remain free. We strongly urge that our two governments make this the purpose of their continued cooperation.

At the moment, however, the primary problem is the restoration of internal security in the face of tough, widespread, externally aided Communist guerrilla warfare and subversion. To meet this problem requires stepped-up military and policing action. But the problem is more than a military problem. Its solution also demands stepped-up economic and social action, especially in rural areas, closely integrated with the military action. For example, one of the more promising counter-guerrilla methods tried up to this time involves regrouping scattered rural populations into more readily defensible communities so designed and assisted as also to offer improved opportunities for livelihood.

Recognizing this close interdependence of the military and the economic-social problems, we have based our recommendations on the following three central considerations:

1. The military-internal security requirements must for the time being have first call on Viet Nam's manpower and economic resources and on U.S. assistance. This is a short-term but essential requirement.
2. At the same time, the degree to which the military-internal security operations achieve lasting success will, in large measure, depend on the speed and effectiveness with which the recommended emergency economic and social programs are applied.
3. The ultimate objective of these economic and social programs and of the longer-range development planning which we also recommend is to hasten the day when Viet Nam will be a self-sustaining economy and a peaceful, free

society. This is desired by the Vietnamese, who want to be independent in the fullest sense, and by the Americans, who conceive their aid as helping people to help themselves toward a condition where they can continue to progress by their own efforts.

The recommendations which our two groups, working jointly together, have thus prepared call for major increases in the level of effort of both Viet Nam and the United States.

These increases reflect our sincere conviction that the subversive, intensive warfare being waged today in South Viet Nam can be brought to a successful conclusion only by the prompt application of effective military power, coupled with large-scale economic and social action reaching every part of the country, especially the rural areas. From the financial standpoint, we believe it far less costly to provide fully adequate resources today than to attempt to match Communist initiatives with just enough strength to meet each new threat. The first course offers a real possibility of early victory and thus an end to the tragic waste of human life and of the material assets so sorely needed for the economic development of the country. The second, while less costly in terms of current budgets, will not provide sufficient resources to achieve a decisive defeat of the Viet Cong organization and therefore will, in the long run, prove more expensive as the war drags on with increased intensity year after year.

Accordingly, the intensified program which we recommend our two countries adopt as a basis for mutual actions over the next several years



is designed not just to hold the line but to achieve a real breakthrough. Our joint efforts must surpass the critical threshold of the enemy's resistance, thereby putting an end to his destructive attacks, and at the same time we must make a decisive impact on the economic, social, and ideological front.

Respectfully,

Viet Nam Special Financial Group



Vu Quoc Thuo, Chairman

Duong Tan Tai

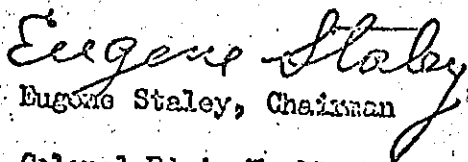
Dinh Quang Chieu

Huynh Van Diem

Luu Van Tinh

Buu Hoan

U.S. Special Financial Group



Eugene Staley, Chairman

Colonel Edwin F. Black

William W. Diehl

Paul F. Geren

Herman Kleins

Warren A. Silver

## I. INTRODUCTION

Conscious of the serious problems created throughout Southeast Asia by the accelerated Communist campaign of subversion and creeping aggression in Laos and in Viet Nam, President John F. Kennedy, in response to an invitation of the Government of Viet Nam, sent Vice President Lyndon B. Johnson to Saigon to discuss with President Ngo Dinh Diem various measures which might be undertaken by both their governments to preserve the freedom and security of Viet Nam. One of the consequences of these talks was an agreement to send a Special Financial Group composed of U.S. experts to Saigon to explore with their Vietnamese counterparts the economic and financial implications of a plan of action in which the two governments could cooperate in meeting the emergency situation.

President Ngo Dinh Diem appointed a similar group of experts to represent the Government of Viet Nam. At their first meeting, the Vietnamese and U.S. chairmen decided that any report or recommendations which they would submit should be prepared on a joint basis, emphasizing thereby the close partnership in which the two governments desire to approach the problem. Accordingly, they merged their two groups into one and conducted all their business as a completely integrated committee. The following is the special action program which they recommend to the Presidents of Viet Nam and the United States.

This program is based on the concept that the two governments must together do what is necessary to achieve a "breakthrough" simultaneously on the military-internal security front and on the economic-social front. At the same time, the economic-social action should be so planned as to help Viet Nam move toward its objective of a free society with a growing and self-sustaining economy. The spirit of partnership which animated the work of the joint groups is considered as a guiding principle in the implementation of the special action program.

## II. SPECIAL ACTION PROGRAM

### A. MILITARY-INTERNAL SECURITY ACTION

#### 1. The Situation

The Communist-inspired insurgency in Viet Nam, which is aimed at the destruction of the authority and prestige of the established government, is assumed to be a prelude to further attempted incursions designed ultimately to absorb the entire country into the Communist Bloc. North of the 17th parallel, the Communist-led Democratic Republic of Viet Nam (DRV) with the help of international Communism has the capability of overtly defeating the present military forces of Laos, Cambodia, and Viet Nam, either singly or in combination. It is the primary source of support and cadres for the Viet Cong efforts to gain control of Viet Nam. Current intelligence estimates indicate that, rather than resorting to overt attack, the Communist Bloc probably will continue, through the DRV, to exploit the use of insurgent forces as long as it appears to them that such action might succeed in bringing about the downfall of the GVN.

Although the threat of overt attack by DRV forces presently exists (and will probably increase as the GVN establishes effective control within Viet Nam), the most pressing problem, from a military viewpoint, is the destruction and elimination of the approximately 12,000 DRV supported and inspired Viet Cong guerrillas presently conducting insurgency operations within the borders of Viet Nam. The increase in Viet Cong strength and activities since late 1959 has resulted in the commitment of approximately 90 per cent of the combat forces of the RVNAF to counter-insurgency operations. This heavy commitment has enabled the RVNAF to begin to take the offensive, but more military forces are

needed to bring the Viet Cong under effective control.

The turn of events in Laos has created further serious problems with regard to the maintenance of the GVN as a free and sovereign non-Communist nation. In particular, the uncovering of the Laotian-Viet Nam border to DRV or DRV-supported forces creates a serious threat of increased covert infiltration of personnel, supplies, and equipment to the Viet Cong. With such increased support, the Viet Cong undoubtedly hope to seize firm military control of a geographic area and announce the establishment therein of a "rebel" government for South Viet Nam which would then be recognized by and receive military support from the DRV, Communist China, and Soviet Russia. (Example: The present situation in Laos.)

Confronted with this combination of an intensified Communist-directed insurgency campaign within the country and an over-increasing danger from overt military aggression by superior forces from the North, the RVNAF has taken the calculated risk of deploying almost its entire regular forces against the Viet Cong guerrillas. The present conditions of internal subversion require the massive and widespread application of military power by highly-trained, disciplined forces. By thus providing fully adequate strength to do the job, it is intended to reduce the current insurgency situation rapidly to manageable proportions where it can then be maintained by the normal internal security forces.

## 2. GVN Armed Forces

a. The major elements of ARVN under the 150,000 force structure were the Joint General Staff; a Field Command Headquarters; three Corps Headquarters;

seven reduced strength Infantry Divisions; five separate Infantry Battalions; one Airborne Brigade (five Battalions); four Armored Regiments; eight non-divisional Artillery Battalions; sixty-five Ranger Companies; and sub-minimal logistic support units.

b. The VN Navy and Marines consisted of a small Navy Headquarters and Shore Establishment, a small Sea Force of about 27 vessels, a small River Force, and three Marine Battalions. The major units of the small VN Air Force were one Transport Group (G-47), one Fighter Squadron (AD-6), one Special Air Mission Squadron, two Liaison Squadrons (L-19), one Helicopter Squadron (H-19/H-34) and essential base and maintenance support elements.

c. Under the 20,000 force increase recommended and subsequently approved under the counter-insurgency plan, the RVNAF gained the following additional major elements: three separate Infantry Regiments; twenty-one Ranger Companies; one Military Intelligence Battalion; one Engineer Combat Battalion; one Navy Shallow Draft Boat Group; one Marine Battalion; one Airforce Helicopter Squadron; and selected logistic support units and augmentations to help correct the critical imbalance previously existing in the RVNAF.

d. The three Infantry Regiments were activated on 10 May 1961. Activation of the twenty-one Ranger Companies began on 1 May 1961. A recent RVNAF estimate indicates that the 170,000 force level should be reached prior to the end of CY 1961.

e. The developing situation in Laos has, however, indicated an urgent requirement for a further increase in the RVNAF force structure. There exists a requirement for an additional force increase of approximately 108,000 over a

period of the next 3-1/2 years, with an immediate requirement for two additional Infantry Divisions and essential supporting forces. The two additional Infantry Divisions are considered essential to bolster present forces in Northern and Central Viet Nam due to the continuing deterioration of the situation in Laos.

### 3. The Civil Guard

Current authorized strength for the Civil Guard is 68,000. It is organized into companies and battalions. Each province has a battalion composed of four or five companies. Its primary mission is to complete training and to assume the bulk of the semi-static security missions in Viet Nam, thus freeing the majority of Rangers and regular ARVN units for offensive operations and training. In view of the critical threat posed by the insurgency, control of the Civil Guard was transferred on 3 December 1960 from the Department of the Interior to the Department of Defense. Training of Civil Guard is now conducted by ARVN. Civil Guard units have been equipped or are in the process of being equipped with vehicles, weapons, radios, and other essential items.

A short supply situation has necessitated suspension of equipment issue to all units except those separate companies entering unit training at the Song Mao Civil Guard Training Center. This suspension will be lifted when more material arrives in Viet Nam. A significant quantity and variety of equipment should be on hand before the end of CY 1961 to complete the equipping of the first 32,000 civil guardsmen. It is estimated that all of the 70,000 Civil Guard force will be completely equipped by the end of CY 1962.

### 4. The Self-Defense Corps

The Self Defense Corps (SDC) is a para-military "village militia" type

organization which is responsible to the Department of the Interior. The SDC has an authorized strength of 58,000 during CY 1961.

The missions of the SDC are: To protect the village committee; to maintain order and security in the villages; to oppose subversion and terrorist activities; to protect public buildings and public works; and to assist the public during disasters.

At present, the SDC is a relatively untrained, poorly equipped, and poorly paid force. The SDC has no trained officers or NCO's but depends on the Civil Guard or ARVN for leadership. The general level of individual training is low. Equipment consists primarily of individual weapons and ammunition. There is no communications equipment. Available weapons consist of a collection of French, British, German, Indochinese and American rifles, pistols, and some automatic weapons. Ammunition is old, unreliable, and in short supply.

At present the SDC is purely a defensive organization. To date because of training deficiencies SDC operations are not well conducted. The SDC have been a chief target of Viet Cong attacks and almost invariably suffer disproportionately heavy losses, often losing weapons and ammunition to the Viet Cong.

#### 5. The Youth Corps

During the past year the GVN has engaged in a major effort to mobilize the youth of the country for the purpose of supporting the government and combatting Communism. It is an indirect way to commit the population in the struggle against the Communists. The most important youth group in Viet Nam today is the Republican Youth Movement (RYM) which has approximately 1.7 million members and is closely identified with the present regime.

The RYM has become the major GVN effort to organize the younger elements

of the Vietnamese population and to use the organization to increase the awareness of people of the true nature of Viet Nam's fight for survival against Communist insurgency and terrorist techniques.

### 6. Financial Implications

The joint VN-US group does not consider itself competent to make specific recommendations as to desired force levels for the defense of Viet Nam. They have, however, after consultation with their respective military authorities, adopted for economic planning purposes certain estimated strength figures for the GVN armed forces under two alternative assumptions. Alternative A assumes that the Communist-led insurgency effort remains at approximately its present level of intensity and that the Government of Laos maintains sufficient independence from the Communist Bloc to deny authority for the transit of DVI or Communist Chinese troops across its borders. Alternative B assumes that the Viet Cong are able to significantly increase their insurgency campaign within Viet Nam and that the situation in Laos continues to deteriorate to the point where the Communists gain de facto control of that country.

Under these alternative assumptions, the following force levels and costs have been assumed in the preparation of this report and its recommendations:

	<u>FORCE LEVELS</u>				
	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>
<u>Regular Forces:</u>					
(1) <u>Alternative A</u>	170,000	200,000	200,000	200,000	200,000
(2) <u>Alternative B</u>	170,000	200,000	230,000	260,000	278,000 *
<u>Civil Guard</u>	67,500	70,000	70,000	70,000	70,000
<u>Local Defense Forces</u>	58,000	60,000	60,000	60,000	60,000
<u>Youth Corps</u>	-	108,000	108,000	108,000	108,000

\* To be reached during the first months of 1965.



VIETNAMESE COSTS \*  
(in millions of piasters)

	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>
Regular Forces:					
(1) Alternative A	6,700	7,800	8,200	8,300	8,400
(2) <u>Alternative B</u>	6,700	7,800	<u>9,000</u>	<u>10,200</u>	<u>11,200</u>
Civil Guard	1,435	1,540	1,550	1,600	1,600
Local Defense Forces	322	684	684	684	684
Youth Corps	48	595	600	650	600

\* Do not include military equipment, transport, or P.O.L.

U.S. COSTS \*  
(in millions of dollars)

	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>
Regular Forces:					
(1) Alternative A	62	120	71	66	66
(2) <u>Alternative B</u>	62	120	<u>135</u>	<u>136</u>	<u>83</u>
Civil Guard	11	20	14	14	12

\* Do not include costs to U.S. of MAAG operations (salaries, subsistence, administrative costs) estimated at \$12 million a year.

7. Civic Action

One of the prerequisites of successful military action against insurgency or guerrilla attack is for the soldier to convince the population that he is a brother of the people, as well as their protector. The Communists claim an

## B. EMERGENCY ECONOMIC AND SOCIAL ACTION

The major problem now confronting Viet Nam is that of internal security. But the joint groups were in emphatic agreement that this problem cannot be solved by military means alone. They therefore considered the nature and the costs of economic and social measures which can be undertaken or expanded in order to give direct and early support to the solution of the internal security problem.

The following activity areas are those which deserve highest priority. Rough cost estimates are shown where major additional piaster and dollar outlays are required.

### 1. Information and communications

Measures now underway to establish communication facilities are well designed and oriented. All possible steps should be taken to speed up the implementation of these programs. The joint Groups believe, however, that at the same time a re-examination of this program is now in order with special reference to (1) increasing the broadcast power and coverage of radio stations, and (2) possible initiation of a television system. The latter would be a dramatic and unprecedented attack on the problem of national unification. It would undoubtedly require phasing as to area and programming.

Of particular interest are the programs to increase the number of transistor receivers in the rural areas, and to expand the inter-village communications system.

The importance is underscored of adequate programming to achieve the desired results from the physical communications facilities now being established. This programming should give attention to making available useful information to rural listeners in such fields as agricultural and health education.

ideological or dogmatic kinship to the people so as to gain their support and to be able to hide among them. The soldier must temporarily have to provide training to the villagers to help them get started in their pioneering resettlement efforts. Army personnel may find it necessary to show the people how to build a community house, a school, a market, a simple first aid station. They may be needed to give on-the-job training to volunteers in teaching, village administration, sanitation, elementary public works and simple agricultural techniques.

The joint groups commend the GVN armed forces for their outstanding achievements in civic action in the past and for the work they are doing throughout the country today. The U.S. is making a special effort to help, by sending to Viet Nam several small teams of civil affairs technicians who will be available to work with the GVN military authorities in the furtherance of an expanded civic action campaign on a national scale.

Such a campaign will enable the GVN Army to contribute materially to the success of the closely related "crash" program of economic and social development outlined below. Similarly, the rapid implementation of the economic and social program will strengthen popular support and help to instill a sense of confidence in ultimate victory which cannot but be reflected in the morale and fighting spirit of the Vietnamese armed forces.

#### COST SUMMARY

The following is a rough, order-of-magnitude estimate of additional costs for the military program, from July 1961 through December 1962. During this period the costs are the same for either alternative force level.

Piaster costs.....	3,700 million
Dollar costs.....	42 million

Without awaiting the re-examination suggested above, measures already underway to increase the output of the Saigon broadcasting station should be intensified.

Piaster cost..... 10 million

Dollar cost.....6.5 million

2. Agrovillas and Land Development

Agrovillas and land development projects contribute materially to the solution of security problems in the rural areas. All possible effort should be made to speed up these programs. An important element of those programs should be the construction of village roads with heavy use of local labor, and of self-help housing - with aid - maximizing use of local materials and labor. It is difficult to forecast with precision the costs for the proposed VN target of 100 additional agrovillas over the next eighteen months. The following estimate represents a rough order of magnitude. The real figures will depend on (a) actual mobilization of skilled manpower to organize and manage the program, and (b) revised costing on an austere, emergency basis. The piaster estimate covers local costs while the dollar estimate covers the equipment and supplies not domestically available.

Piaster cost.....1,500 million

Dollar cost..... 3.5 million

3. Rural Medical Programs

Adequate care of the wounded, both civilian and military, is essential for psychological as well as for obvious humane reasons. Civilian and military authorities must confer on an urgent basis to determine how best to make use of the available medically trained manpower in Viet Nam. To maximize the use of

the limited trained medical manpower in Viet Nam, programs should be initiated to develop an effective evacuation system for the seriously injured. Specific programs that should be further considered to assure the best use of available medical personnel in caring for casualties would be the creation of mobile medical teams and the provision of needed equipment and medical supplies in existing hospital and medical facilities. A rough estimate of the costs of this type of program is:

Plaster cost..... 8 million

Dollar cost..... 3.5 million

4. Training of civil administrators in the lower and middle levels, especially in the rural areas

Good relations between civil administrators and the people are of paramount importance, as is the making known of the needs and wants of the population to the Government. Further consideration should, therefore, be given to the establishment of a system of reporting of complaints and suggestions by citizens to the highest government authorities for appropriate study and investigation.

Urgent attention should be given to the acceleration and intensification of the training of civil administrators in the lower and middle levels serving in the rural areas.

5. Training of the Youth Corps

As the Vietnamese Government proceeds with the expansion of the Youth Corps, the contribution of Youth Corps members to the national effort can be greatly enhanced by using their services in economic and social fields. Planning should, therefore, be initiated for training Youth Corps members in appropriate health, agricultural, medical, small public works, and communications

(radio) activities. The last activity would serve the needed inter-village communication requirement.

COST SUMMARY

The following is a rough, estimate of costs for the emergency economic-social program from July 1961 through December 1962:

Plaster costs..... 1.788 million

Dollar costs..... 13.5 million

C. LONGER RANGE DEVELOPMENT TOWARD SELF-SUSTAINING ECONOMY

1. Current programs

The earliest possible consideration of the emergency projects mentioned above is essential, in connection with military-security efforts, but the current successful programs in the economic and social areas must be continued.

a. Improvement of agricultural productivity

The Vietnamese economy is based on its agriculture. This heavy reliance will undoubtedly continue. To improve the productivity of Viet Nam's agricultural resources, further efforts should be encouraged in training of agricultural personnel, research, diversification of crops, more intensive use of fertilizers, and the provision of adequate agricultural credit facilities. Particularly promising are the possibilities in the development of livestock and fisheries and complementary processing activities.

b. Economic and social services to rural population

While the agrovillage-land development program merits special action on a more immediate basis, the build-up of economic and social services to the great mass of the rural population not encompassed by the agrovillage-land development program must be continued. Such improved services as extension education, agrarian reform, pest control, and farmers' cooperatives and production credit can yield considerable economic and social benefits in return for relatively limited investment.

c. Creation of a stronger industrial base

Taking into account the anticipated population increases, the future of Viet Nam will, however, demand a reorientation of its economy toward one with stronger reliance on a firm, viable industrial base. To achieve this

development with minimum loss and best use of resources, additional efforts are recommended: (1) in the planning area, including manpower, and (2) to encourage the use of domestic savings for local investment and to attract foreign capital, by improving the local climate and procedures for investment.

## 2. Acceleration toward a self-sustaining economy

In addition to the current economic and social programs of longer range development, including those singled out above, there are general considerations underlying acceleration toward a self-sustaining economy that the Joint Groups believe warrant special attention.

### a. Development planning

The Joint Groups recommend a strengthening of the planning mechanism. This would make possible the preparation of an integrated plan, on the basis of the statement by national leaders of the country's goals covering a period of four or five or eight years. The plan would also indicate the government programs that will be necessary, the expansion of private activity that is anticipated, and the results that will be obtained. Such a plan is a useful framework for year-to-year budgeting of specific government programs, but it may also serve a broader purpose. The nation's leaders can, through the vehicle of the plan, combine these sector goals into a concrete statement of the nation's purposes and philosophy aimed at capturing the public's imagination.

### b. Private investment

In marshalling its resources to meet immediate and longer-term economic problems, the Vietnamese Government recognizes the importance of the potential contribution by the private sector of the economy. This contribution can be maximized by governmental measures to assure the potential domestic and



foreign investor that his capital and, sometimes even more important, his technical and managerial know-how are being sought. An active and determined campaign, well publicized, would help to demonstrate to the whole world that Viet Nam faces the future with resolution and confidence.

Of course, a major obstacle in the stimulation of private investment is the security situation. However, despite its seriousness there have been new investments both local and foreign. This impetus should continue and accelerate. Some measures in this direction that should be considered are:

(1) Investment Law: Enactment of an investment law to provide guidance and policy to public officials and to investors would help establish a legal framework of rights, privileges, and obligations of the investor.

(2) Industrial Development Center reorganization: Establishment of an effective agency to provide leadership, direction, coordination, and operational personnel to formulate and effect a program for encouraging private investment is recommended. The Industrial Development Center seems a logical institution to serve this need. It must be re-organized to become an investment promotion center rather than a financial support agency. Its activity should be devoted principally to:

- stimulating creation of new industries
- encouraging expansion of existing industries
- creating a productivity agency

The Industrial Development Center should be able to give to investors all information they need on the general economy of the country, procedures for establishment of their industries, fiscal advantages, labor, etc.

(3) Credit facilities: Improved facilities with more adequate

resources to provide medium and long-term credit to meet needs for industrial development is considered desirable.

(4) Research: Initiation of an effective research program applying professional techniques and practices to identify and promote investment opportunities is also suggested.

If private investors can be attracted to the priority industries, the great bulk of profits can become government revenue or private savings. By comparison, large public sector investments that do not produce comparable surpluses clearly do not provide the same kind of help for sustained development.

c. Government Investment

Public sector investment may be undertaken for a variety of reasons. For example, private capital may be unwilling to invest its limited savings in projects that require several years to complete and that sometimes offer uncertain business prospects thereafter. It has been found that public sector investment often stimulates private investment. Within limits, the one complements the other. But public investments in productive enterprises will serve the economy less satisfactorily than private enterprise unless prices are set to cover full costs and produce comparable surpluses.

Where public investment is necessary to initiate or promote productive enterprise, such investment should as public policy be on an interim basis. At the earliest practical time, public investment should be converted to private investment.

CCST SUMMARY

The following estimate is offered for additional development projects, beyond those already programmed, during the eighteen month period July 1961 through December 1962:

Plaster costs..... 1,000 million

Dollar costs..... 30 million